

Message Text

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ACTION EUR-12

INFO OCT-01 IO-11 ISO-00 AGR-10 SP-02 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

LAB-04 SIL-01 L-03 H-02 PA-02 PRS-01 ITC-01 /123 W

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R 271400Z FEB 76

FM AMEMBASSY ROME

TO SECSTATE WASHDC 5999

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

USDEL MTN GENEVA

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMCONSUL MILAN

AMEMBASSY PARIS

USMISSION OECD PARIS

UNCLAS ROME 3195

E.O. 11652 N/A

TAGS: EAGR, ETRD, EEC, IT

SUBJ: ITALIAN REACTION TO EC COMMISSION PRICE PROPOSALS.

REF: (A) ROME 18595 (NOTAL) (B) ROME 18139

SECSTATE PASS AGRICULTURE

1. SUMMARY: ITALY PROPOSES A TAX ON OILS TO SUBSIDIZE COMSUMPTION OF DOMESTICALLY PRODUCED OILS, OPPOSES REVISIONS OF THE DURUM WHEAT SUBSIDY SCHEME, AND CONTINUE TO TALK ON SETTING DIFFERENT PRICES FOR FOREAGE AND BREAD WHEAT. A HALVING OF THE
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PRESENT COMPENSATORY AMOUNTS IS FORESEEN. END SUMMARY.

2. /OLIVE OIL/: ALL MAJOR FARMS ORGANIZATIONS CONSIDER THE PROPOSED TWO PERCENT INCREASE RIDICULOUSLY LOW. ITALY IS REPORTEDLY ASKING, WITH FRENCH SUPPORT, FOR TAXATION OF BOTH IMPORTED AND DOMESTIC OILS, PROCEEDS OF WHICH WOULD GO TO CREATING A FUND TO SUBSIDIZE CONSUMER PRICES OF DOMESTICALLY PRODUCED OILS.

3. /DURUM WHEAT/: THE EC COMMISSION'S PROPOSAL TO PAY A SUBSIDY BASED ON ACREAGE, RATHER THAN ON QUANTITY, THE PRESENT STANDARD, SEEMS BASED ON ITS FEAR OF FUTURE ITALIAN AND EC SURPLUSES. ITALY IS STRONGLY OPPOSED TO THE NEW SYSTEM, PARTICULARLY AS 1976'S CROP HAS ALREADY BEEN PLANTED.

4. /FEED GRAIN PRICES/: THE AGMIN'S POSITION REGARDING THE PRICE INCREASES AND NARROWING OF THE RANGE BETWEEN CORN AND WHEAT HAS COME TO REFLECT THE CEREAL IMPORTERS' ASSOCIATION'S OPPOSITION EXPLAINED IN PARA 4 OF REF (A). ITALY'S LIVESTOCK INDUSTRY WOULD BE ADVERSELY AFFECTED BY THE STILL HIGHER FEED GRAIN PRICES. ON THE ESTABLISHMENT OF SEPARATE FOREAGE WHEAT AND BREAD WHEAT PRICES, ITALY WILL REPORTEDLY NOT GO ALONG WITH WHAT IT CONSIDERS AN IMPRATICAL SCHEME UNTIL A DEFINITE BAKING TEST PROCEDURE IS ADOPTED.

5. /LIVESTOCK AND BEEF/: ITALY WILL SUPPORT THE PRESENT MODIFIED JUMELAGE SYSTEM, PROVIDED THAT IT MAY CONTINUE TO PAY (WITH FEOGA CONTRIBUTIONS) PREMIUMS TO DOMESTIC CALF PRODUCERS.

6. /WINE/: PRESS REPORTS INDICATE MOVEMENT TOWARD ENDING THE FRENCH-ITALIAN WINE DISPUTE. IN EXCHANGE FOR FRANCE'S LIFTING ITS CUSTOMS DUTIES ON ITALIAN WINE, ITALY WOULD AGREE TO DISCUSS REVISION OF THE EC WINE REGULATION, IMPLYING ITS ACCEPTANCE OF SOME FORM OF LIMITATION ON PRODUCTION. ACCORDING TO SOME REPORTS, THE EC WOULD ALSO GRANT MORE DISTILLATION PREMIUMS TO ITALY AND WOULD AUTHORIZE FRANCE TO GRANT FINANCIAL AID TO HER WINE GROWING REGIONS.

7. /NFDM USE/: AS REPORTED REF (B), ITALY, WITH NO MILK POWDER STOCKS, DISLIKES THE PROPOSED MIXING REGULATION, BUT MAY WELL AGREE TO IT TO GAIN CONCESSIONS IN OTHER COMMODITIES.

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8 /COMPENSATORY AMOUNTS/: PRODUCERS, ESPECIALLY LIVESTOCK, FAVOR DEVALUING THE GREEN LIRA AND REDUCING THE PRESENT 9.1 PERCENT COMPENSATORY AMOUNTS, THUS MAKING IMPORTS MORE COSTLY. IMPORTERS, TRADE MIDDLEMEN AND CONSUMERS, OF COURSE, SHOULD BE IN FAVOR OF MAINTAINING HIGH COMEPNSATORY AMOUNTS AS THEY KEEP IMPORTED FOODSTUFFS' PRICES FROM FULLY REFLECTING THE DEVALUATION. A COMPROMISE OF HALVING THE AMOUNTS IS FORECAST.BEAUDRY

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